

Message Text

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C O N F I D E N T I A L STATE 049285

FOR THE HONORABLE ARTHUR F. BURNS, CHAIRMAN, FEDERAL
RESERVE BOARD C/ O DONALD MCGREW

SEASONALLY ADJUSTED PRIVATE HOUSING STARTS DECLINED SLIGHTLY
IN FEBRUARY TO AN ANNUAL RATE OF 2.44 MILLION UNITS FROM AN
UPWARD REVISED RATE OF 2.50 MILLION IN JANUARY. BUILDING
PERMITS DECLINED FURTHER IN FEBRUARY BUT CONTINUED AT A
HIGH LEVEL.

IN DOMESTIC FINANCIAL MARKETS. TREASURY BILL RATES CONTINUED
TO MOVE HIGHER WITH THE 3- MONTH BILL RISING 10 BASIC POINTS
TO 6.21 PER CENT. THE BOND MARKETS WERE ALSO WEAKER AND
PRICE DECLINES RANGED UP TO 1/2 POINT. MARKETS APPEARED
TO BE INFLUENCED BY SPECULATION THAT THE UNITED STATES WOULD
TAKE ACTIONS TO INDUCE FLOWS OF FUNDS FROM EUROPE BY RAISING
DOMESTIC INTEREST RATES. SHORT- TERM RATES ALSO APPEARED TO
BE AFFECTED BY TAUGHTNESS IN THE FEDERAL FUNDS MARKET AND BY
THE WEEKLY FEDERAL RESERVE BANKING STATISTICS, NOTABLY THE
RISE IN M-1 FOR WEEK ENDING MARCH 7.

BONDS, AND TO A LESSER EXTENT BILLS, IMPROVED SOMEWHAT
FOLLOWING NEWSWIRE REPORTS OF YOUR COMMENTS REGARDING THE
DISCOUNT RATE. FEDERAL FUNDS TRADED IN A 7 TO 7-3/8 PER CENT
RANGE; AN EFFECTIVE RATE OF 7-1/4 PER CENT IS ANTICIPATED.
THE SYSTEM PROVIDED SOME \$300 MILLION OF RESERVES DURING THE
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DAY. STOCK PRICES CONTINUED TO DECLINE IN MODERATE TRADING.
DOW JONES INDUSTRIALS FELL NEARLY 7 POINTS TO A LEVEL OF 963.

THE DOLLAR FIRMED IN CONTINUED LIGHT TRADING, PARTICULARLY
AFTER VARIOUS ANNOUNCEMENTS FROM THE PARIS MEETING OF FINANCE
MINISTERS STARTED COMING OVER THE NEWSWIRE. AS OF MID-
AFTERNOON IN NEW YORK, THE MARK WAS 14.1 PERCENT OVER ITS
SMITHSONIAN PARITY, THE SWISS FRANC 18.7 PER CENT, AND THE
YEN 18.9 PER CENT. IT WAS ANNOUNCED TODAY THAT SWEDEN AND
NORWAY WOULD JOIN THE EC FLOAT AGAINST THE DOLLAR WHEN EXCHANGE
MARKETS OFFICIALLY RE- OPEN ON MONDAY.

EURO- DOLLAR INTEREST RATES ROSE MODERATELY IN MOST MATURITIES.
GOLD WAS UNCHANGED AT \$82.75 IN LONDON.

DOW JONES WIRE REPORTS TODAY INCLUDED THE FOLLOWING ITEMS:
SECRETARY SHULTZ TO VISIT LONDON AND BRUSSELS FOR FURTHER
TRADE AND MONETARY DISCUSSIONS.

APART FROM YOUR STATEMENTS ON DISCOUNT RATE, YOUR COMMENTS
ABOUT FEDERAL RESERVE EXAMINERS INSPECTING THE BOOKS OF US
BANKS IN EUROPE TO LEARN ABOUT RECENT FLOWS WERE ALSO REPORTED.
THE SYSTEM STUDY WAS DESCRIBED AS UNPRECEDENTED.

VOLCKER WAS QUOTED AS SAYING THAT AS ONE MEANS OF ATTRACTING
DOLLARS HOME THE FED HAS OUT FOR COMMENT A PROPOSAL TO REDUCE
THE 20 PERCENT EURODOLLAR RESERVE REQUIREMENT.

IN OTHER NEWS THE WHITE HOUSE ANNOUNCED THE RESIGNATION OF IRS
COMMISSIONER JOHNNIE WALTERS. A SUCCESSOR WASN' T IMMEDIATELY
NAMED.
ROGERS

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